

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4366-02
Bill No.: SB 454
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: January 17, 2012

Bill Summary: This proposal modifies the elementary and secondary education funding formula.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	\$0	(\$451,651,363)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	(\$451,651,363)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
State School Moneys Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Offsetting transfers in and out for FY 15 are \$451,651,363

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$451,651,363

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP. BAP defers to the Department of Elementary and Secondary Education on specific foundation formula funding impact.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, the statutory change introducing the "aggregate proration factor" into the current Missouri School Foundation Formula serves to create variable in methodology for the distribution of state funds appropriated for distribution to Missouri school districts. The "aggregate proration factor" is only used when the amount of the appropriation is insufficient to provide a proration factor of one (1), and does not increase the cost of funding of the formula.

The "modified formula payment" and the "modified hold harmless payment" are also only used when the amount of the appropriation is insufficient to provide a proration factor of one (1). Both terms specify the amount of proration for "formula districts" and "hold harmless districts", but do not increase the cost of funding the formula.

Based upon the most current data available, and assuming that data as a constant, this proposal does have additional cost built into the future. That cost is as follows:

FY 2014

For fiscal year 2014, the general assembly shall appropriate an amount under subsections 1, 2, and 8 of this section that equals or exceeds the formula appropriation under subsections 1, 2, and 4 of this section as it existed in fiscal year 2010;

Since the amount called for is that of the fiscal year of 2011, \$3,004,388,410, and the other changes with this proposal do not increase the formula call, the fiscal note for FY14 would be **\$0.00**.

ASSUMPTION (continued)

FY 2015

For fiscal year 2015, the general assembly shall appropriate an amount under subsections 1, 2, and 8 of this section that is sufficient to produce an aggregate proration factor of at least .93.

Since the amount called for in FY15 must be sufficient to achieve an aggregate proration factor of .93 (or 93% of what it would take to fully fund the formula) additional cost, calculated based upon the most current data available and assuming that data as a constant, there would be a fiscal note for FY15.

FY14 Formula Call:	\$3,004,388,410
FY15 Formula Call:	\$3,456,039,773
Cost for FY15:	\$ 451,651,363

FY 2016

For fiscal year 2016, the general assembly shall appropriate an amount under subsections 1, 2, and 8 of this section that is sufficient to produce an aggregate proration factor of at least .96;

Since the amount called for in FY16 must be sufficient to achieve an aggregate proration factor of .96 (or 96% of what it would take to fully fund the formula) additional cost, calculated based upon the most current data available and assuming that data as a constant, there would be a fiscal note for FY16.

FY15 Formula Call:	\$3,456,039,773
FY16 Formula Call:	\$3,567,524,927
Cost for FY16:	\$ 111,485,154

ASSUMPTION (continued)

2017

For fiscal year 2017, the general assembly shall appropriate an amount under subsections 1, 2, and 8 of this section that is sufficient to produce an aggregate proration factor of at least 1.0;

Since the amount called for in FY17 must be sufficient to achieve an aggregate proration factor of 1.0 (or 100% of what it would take to fully fund the formula) additional cost, calculated based upon the most current data available and assuming that data as a constant, there would be a fiscal note for FY17.

FY16 Formula Call:	\$3,567,524,927
FY17 Formula Call:	\$3,716,171,799
Cost for FY17:	\$ 148,646,872

DESE notes that calculations were based upon the State Adequacy Targets (SAT) that will be in place for FY13 and FY14. By statute, a new SAT will be recalculated in 2014 to be applied in FY15 and FY16, with a subsequent recalculation in 2016 to be used in FY17. It is not possible to reflect what those numbers might be, nor is it possible to reflect the impact should they increase.

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
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GENERAL REVENUE

<u>Cost -DESE - Foundation formula funding</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$451,651,363)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>(\$451,651,363)</u>
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STATE SCHOOL MONEYS FUND

<u>Transfer In - DESE - Foundation formula funding</u>	\$0	\$0	\$451,651,363
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<u>Transfer Out - Distribution of foundation formula funding to school districts</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$451,651,363)</u>
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013	FY 2014	FY 2015
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LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In - School Districts - Increase in foundation formula payments from State School Moneys Fund</u>	<u>\$0</u>	<u>\$0</u>	<u>\$451,651,363</u>
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$451,651,363</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal modifies the elementary and secondary education foundation formula.

Current law will allow the state adequacy target to be adjusted to accommodate available appropriations effective July 1, 2012, which is the completion date of the phase-in of the formula. This adjustment method is repealed.

This proposed legislation provides proration benchmarks for appropriations beginning in fiscal year 2014 that increase and continue until fiscal year 2017. In any year in which appropriations do not equal the amount necessary to fully fund the formula, payments will be modified to accommodate available appropriations. Payment reductions or increases will be calculated differently for hold-harmless and formula districts. If the formula is overfunded, payments to hold-harmless districts will be increased at half the rate of formula districts. If appropriations are less than what is required to fully fund the formula, payments to hold-harmless districts will be decreased at half the rate of formula districts.

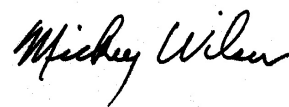
Language pertaining to the phase-in, which will be completed on July 1, 2012, is repealed. In addition, language pertaining to the summer school penalty, which terminated at the end of the 2008-2009 school year, is repealed.

This proposal contains an effective date of July 1, 2012, or upon the Governor's approval.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administrative
Division of Budget and Planning



Mickey Wilson, CPA

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